# GOVERNMENT OF INDIA
# FINANCE
# LOK SABHA

UNSTARRED QUESTION NO:1908
ANSWERED ON:05.08.2005
TAX-GDP RATIO
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**Will the Minister of FINANCE be pleased to state:**

(a) the tax/GDP ratio in 2004-05;

(b) the steps taken by the Government to raise the tax/GDP ratio;

(c) whether widening the tax base and reducing tax rates have increased revenue collections; and

(d) if so, the details about how the Government has arrived at such conclusion?

## Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a) Forthe period 2004-05, the tax/GDP ratio for direct taxes provisionally works out to 4.24% whereas in case of indirect taxes, it is 5.51 %.

(b) A number of steps have been taken to augment tax compliance which include rationalization of tariff structure, review and withdrawal of tax exemptions to the extent possible, plugging leakage of revenue through strengthening anti-smuggling and anti-evasion measures, simplification of tax collection procedures to improve tax compliance, levy of Education Cess, Securities Transaction Tax, Fringe Benefit Tax, etc.

(c) and (d) The consistent increase in direct tax/indirect tax collections is combined result of various economic factors as well as legislative and administrative measures taken by the Government including widening of tax-base and rationalization of tax rates. However, it is not feasible to ascertain the increase in revenue collection attributable to individual factors.